

**CITY OF BELLEVUE
ENVIRONMENTAL SERVICES COMMISSION
MEETING MINUTES**

Thursday
March 18, 2010
6:30 p.m.

Conference Room 1E-112
Bellevue City Hall
Bellevue, Washington

COMMISSIONERS PRESENT: Brad Helland (Vice Chair), Ticson Mach, Keith Swenson, and Jim Roberts

COMMISSIONERS ABSENT: David Mahon and Jenni Carter

OTHERS PRESENT: Wes Jorgenson, Pam Maloney

MINUTES TAKER: Laurie Hugdahl

1. CALL TO ORDER:

The meeting was called to order by Vice Chair Helland at 6:28 p.m.

2. ORAL COMMUNICATIONS - None

3. APPROVAL OF AGENDA

Vice Chair Helland suggested holding elections at either this or next meeting. Mr. Jorgenson recommended waiting until April 1 when the whole Commission will be here and when the agenda is not so full. Mr. Commissioner Mach remarked that he would not be here on April 1. Mr. Jorgenson informed the Commission that Steve Szablya has submitted his resignation from the Commission and Jenni Carter will also be leaving; therefore the Commission is in need of two new commissioners.

Motion made by Commissioner Swenson, seconded by Commissioner Roberts, to approve the agenda. Motion passed unanimously (4-0).

4. APPROVAL OF MINUTES

March 4, 2010 Regular Meeting Minutes

Motion made by Commissioner Mach, seconded by Commissioner Roberts, to approve the minutes as presented. Motion passed unanimously (4-0).

5. FOLLOW-UP QUESTIONS/ANSWERS - None

6. REPORTS & SUMMARIES

a. ESC Calendar/Council Calendar

Mr. Jorgenson reviewed the ESC Calendar and explained how the ESC's role in the budget process has changed. He summarized that the ESC's role will be to comment on the Results Team's recommendations and those comments will go directly to the Council. Mr. Jorgenson explained that staff is still not sure exactly how the Results Team will rank the Utility proposals alongside other General Fund projects. He emphasized that this is an evolving process. Vice Chair Helland commented that it seems like it would be most efficient for the Results Team to gather input from informed stakeholders.

Mr. Jorgenson pointed out that they had planned to introduce the Storm and Surface Water Comp Plan in April, but then it would not be seen again by the ESC until November. Staff thinks it would be better to have that introduction in either October or November right before the plan is addressed by the ESC. The other change in April is that the budget update will not be ready until May. The April meeting will have the CIP open house/public meeting, CIP wrap up and endorsement, and elections.

Commissioner Roberts asked if the Results Team would match what the ESC recommends for the CIP. Mr. Jorgensen could not speak for the Results Team, but noted that the ESC is just being asked for provisional recommendation of the CIP in April, until staff gets the whole budget (operating and capital) and can provide a rate impact analysis.

There was discussion about when to schedule the CIP tour. Mr. Jorgenson suggested that they could have the CIP tour at the August 5 meeting or schedule a special meeting on another date. Commissioner Mach encouraged staff to look for opportunities to combine some of the meetings to allow time for the CIP tour in July. Vice Chair Helland recommended just getting a briefing paper on Maximo 7 instead of devoting meeting time to it. He noted that some of the agenda items for upcoming meetings are advisory and do not necessarily need to come to the Commission. Weather Preparedness is another topic that he doesn't feel needs to be presented in detail. Mr. Jorgenson explained that it was difficult for staff to anticipate the level of information that the ESC might need. They would rather provide the ESC with too much information rather than not enough. It was also pointed out there will be new Commissioners who have not heard these reports before. Staff will see if some of these topics can be combined to free up the July meeting for the CIP tour.

Commissioner Roberts referred to the list of pending topics and asked how much the Commission needs to know about the "new investment tracking". Mr. Jorgenson explained that when Council gives us resources we are tracking those so we can address how effective they've been during the next budget

update. Commissioner Roberts commented that the name did not clearly reflect its meaning.

- b. Desk Packet Material (s) - None
- c. Utility CIP Update 2011-2017

Ms. Maloney stated that last time she provided a detailed review of water and wastewater projects that are in the adopted CIP. Tonight she will continue to review the existing stormwater CIP programs; summarize proposed changes to all existing programs; review proposed reductions in the inflationary factors that are currently built into the CIP; introduce new project proposals; and finally explain the financial resources required to implement the CIP as presented. She reminded the ESC that the current 7-year CIP totals \$140 million of local ratepayer investment.

Ms. Maloney responded to Vice Chair Helland's question from the last meeting about lakeline condition assessment. Jay Hummel, the design engineer in charge of that project, informed her that the Utility is initiating an evaluation of the lakeline sewer system within and adjacent to the Lake Washington shoreline. The study will have three parts: information collection about what's out there and where it is; scoping – how to best do condition assessment; and an investigation of alternatives for how they could repair or replace the sewer. The end result of that study is to have a plan for phased rehab of all the Lake Washington sewers. Mr. Jorgenson clarified that he expects that this study should develop a plan for how they will go about doing the assessment; it will not actually be doing the assessment because there is not really a standard method for this kind of thing. Commissioner Roberts asked about timing for the portion in Meydenbauer. Mr. Jorgenson replied that the Utility is moving forward with the Meydenbauer lakeline replacement project and are coordinating with the park to figure out where to best locate utilities.

Adopted CIP Storm Drainage Projects:

Ms. Maloney reminded the Commission that the objectives for the stormwater CIP are to manage stream flows and flooding; limit stream bank erosion; replace undersized and/or deteriorating pipelines; reduce sedimentation and other water quality problems; and preserve or restore aquatic wildlife habitat.

D-59 Minor Storm & Surface Water Capital Improvements Projects – No changes are proposed.

D-64 Storm Water System Conveyance Infrastructure Rehabilitation –This is for pipeline infrastructure rehabilitation. No changes are being proposed.

Commissioner Roberts asked if the Results Team would be able to interfere with projects that are already doing just fine. Mr. Jorgenson stated that they would review all of the CIP and would have the opportunity to assess whether these are warranted or not. He said he would be surprised if they did not concur with the priorities that the Commission and staff have set. Ms. Maloney added that a knowledgeable staff person would be sitting on the Results Team that will be reviewing all of the utility proposals.

Vice Chair Helland remarked that most of these project maps are essentially blank. Ms. Maloney noted that when it is a project with a discrete location there will be a dot on the map, but ongoing programs with projects throughout the system are not shown on the map.

D-65 Neighborhood Enhancement Program – This is a small program that sets aside funds so that if residents voting on Neighborhood Enhancement Projects come up with a project that should be funded out of the Stormwater Utility, the General Fund won't have to pay for it. It has been several years since we have had any requests for this money. Some money has accumulated which staff is going to recommend earmarking for another program that is underfunded. There was discussion about the purpose and appropriateness of this program. Commissioner Mach stated that he does not endorse this program (NEP) in general and feels it is a misuse of City funds. Ms. Maloney suggested letting Council know of his feelings. Commissioner Roberts concurred. Vice Chair Helland added that he would not object if this Stormwater program went away. Mr. Jorgenson commented that very few funds are actually spent out of this project, and that unspent moneys can be used for other purposes. It is an inexpensive good-neighbor program.

D-74 Lower Newport Stream Channel Modification – This is essentially complete; they are just monitoring plantings right now. After 2011 it won't be in the CIP budget. Vice Chair Helland asked for more information about this project. Mr. Jorgenson provided a brief review.

D-80 Meydenbauer Creek Erosion Control – This project has been completed and will not show up in the next CIP.

D-81 Fish Passage Improvement Program – The intent of the funding level as it is set was to be able to do one project a year. Projects have proven more expensive than that so the City does a project every year and a half or two years. Staff is not proposing any changes. We are making slow, but steady progress.

D-86 Stream Channel Modification Program – This is an ongoing program to do stream channel modification where there are unstable stream sections. Projects are accomplished as there is sufficient budget to design/build them. No changes are recommended.

Vice Chair Helland asked about the *Judgments and Settlements* category of revenue for funds. Mr. Jorgenson noted that the category is specific to each project. He thought this project related to an issue with the stream bank near Early World. The City is doing a joint project with Early World who is paying the cost associated with stabilizing their portion of it. Vice Chair Helland remarked that it would be nice to have more information about “miscellaneous funds” on D-64 and any other unusual revenue sources on any projects.

D-92 Retrofit Regional Detention Facilities for Improved Water Quality – There is one project left and this program will be complete. It was delayed in 2009 and will be extended to 2011. Commissioner Mach asked if they would have to adjust the dollar amount. Ms. Maloney said they would not since the project is limited by the budget; however they are looking for grant funding if possible to supplement the budget. Commissioner Helland asked that the project location be indicated on the map, in the next budget book, since it has now been selected. Commissioner Roberts asked if the drainage ponds at highway off-ramps will help our system. Mr. Jorgenson said we should see some benefit if they are retrofitting highway expansions to forested runoff conditions, where such ponds drain to Bellevue’s streams.

D-94 Flood Control Program – King County Flood Control Zone District now provides Bellevue with about \$305,000 a year for flood control projects. We received extra funding in 2009 and 2010 because three years of funding were received in those years. This will enable the City to get known flooding projects completed more quickly. No other changes to the program are recommended.

D-95 Coal Creek Upper Reach Bank and Slope Stabilization – This is a Coal Creek Settlement Project. We are in the monitoring phase.

D-100 Coal Creek Stream Bed Grade Control- Coal Creek Settlement – This is a Coal Creek Settlement Project. We are in the monitoring phase.

D-101 Lower Coal Creek Sediment Pond – This is a Coal Creek Settlement Project. It is expected to be constructed this year or possibly next year, depending on when permits are issued. Mr. Jorgenson explained that the City purchased property adjacent to the stream and is doing an off-channel sediment pond. Commissioner Swenson asked if this is the area above the crossing where silt accumulates every year. Mr. Jorgenson explained that there is sediment through the whole channel. This is downstream of the existing sediment pond. The intent is to capture additional sediment that is coming down the channel and prevent it from getting out into Lake Washington.

Vice Chair Helland asked if the City has looked at what is going on upstream in order to prevent some of the erosion. He wants to know where this

property is in relation to other projects. Mr. Jorgenson affirmed that they have. He noted that projects D-95 and D-100 addressed, this, but there is still a lot of sediment within the stream itself to transport. We may not know for several years if the sites are truly stable because there is still a lot of sediment in the stream itself that is moving through the system. Staff records the amount of sediment that is removed from the sediment ponds annually, but this amount can vary widely depending on the weather. Each of the ponds is dug out each year so that at the beginning of the wet season the total storage capacity is available.

Ms. Maloney commented that from a budget standpoint this project will cost more than they originally budgeted. Rather than proposing a change to the budget, however, she proposes using unspent budget from the accumulated NEP program funds to use for this, and also possibly from the D-94 Flood Control Program money.

Vice Chair Helland asked why Bellevue is responsible for the erosion. Mr. Jorgenson said that some blame the increased development and increased runoff, as well as historical mining activity. This is a mandated project which came out of the Coal Creek Settlement Agreement several years ago, with King County, Bellevue, a Newport Shores resident and the Newport Shores Yacht Club.

D-103 Replace Coal Creek Pkwy Culvert at Coal Creek – No changes are recommended for this.

D-104 Stream Restoration for Mobility & Infrastructure Initiative – This program is the result of Council's directive to increase storm drainage fees 1.5% every year for ten years in order to provide \$10 million for stream corridor and culvert improvements on West Tributary and Goff Creeks, within the Bel-Red Corridor.

Commissioner Swenson referred to a flood control project on D-94 between 520 and north 20th which would fall within the Bel-Red corridor. He asked if staff is coordinating the projects in the same area. Mr. Jorgenson explained how they are attempting to work with the current property owner at that site. Ms. Maloney concurred that we are definitely coordinating City projects within the corridor.

2009-2015 Adopted utility CIP Projects Proposed Projects:

Ms. Maloney recapped proposed changes to the CIP discussed at the last meeting and at this meeting (highlighted in yellow in the binder).

Vice Chair Helland asked if they realized a rate of return on money that was scheduled for projects that have been delayed. Ms. Maloney replied that

interest would accumulate on any money not spent. Mr. Jorgenson added that if a project gets delayed staff also looks for opportunities to accelerate other projects.

Vice Chair Helland referred to the Sewer Pipeline Rehab. He asked when the City would need to start replacing the sewer. Ms. Maloney replied that we are finding more and more defects and the pipes will eventually need to be replaced, and that our Asset Management Program is analyzing the very question of sewer replacement now, to inform future budget proposals. Mr. Jorgenson stated that there are more point-repair needs and we are still outstripping the budget for the program just for repairs. At some point in the future we will need to do pipe replacement as opposed to point repair. The Utility will continue to look at the most cost effective way of extending the life of the system or replacing the system at the appropriate time. Our Asset Manager would be the one to discuss this in more detail, during his annual Asset Management report

Ms. Maloney then distributed *Impact of Inflation Reduction* spreadsheets for water, sewer and stormwater. She explained that since we have not seen the expected rate of inflation, staff is recommending subtracting 8% from the 2009-2010 period and replacing the other years with 3.25% inflation rate as opposed to 4%. There was discussion about the justification for this. Projected savings from this inflationary adjustment for 2011-2015 are as follows:

- Water \$4.9 million
- Sewer: \$3.2 million
- Storm: \$1.7 million

Commissioner Mach commented that the construction inflation is different than the overall economy's inflation. He thinks the next three years will show increases in construction costs due to upcoming bigger projects (such as the viaduct) that might drive labor and material costs up. He expressed concern that this forecasted rate of inflation might be too low. Ms. Maloney acknowledged that it can change pretty radically but assured the Commission that the City does get to revisit it every two years. She also emphasized this inflationary recommendation is preliminary, and subject to change based on direction from the city manager or budget office.

Potential New Utility CIP Investments:

Ms. Maloney reviewed proposed new Water and Sewer Improvements as follows (details in binder):

- New Water 1. Construct Water Pipe in New NE 15th/16th Street Right-of-Way
- New Water 2. Construct Water Pipes in New Local Streets within the Bel-Red Corridor
- New Water 3. Construct New Water main in NE 4th Street Extension

- New Sewer 1. Midlakes Pump Station Capacity Improvement
- New Sewer 2. Construct New Sewer Pipes in New NE 15/16th Street Right-of-way
- New Sewer 3. Construct New Sewer Pipes in 120th Ave NE
- New Sewer 4. Construct New Sewer Pipes in 124th Ave NE
- New Sewer 5. Increase Capacity of Existing Sewer Pipes within the Bel-Red Corridor

Ms. Maloney showed graphics depicting how projects are tied to transportation projects, stream restoration projects, population growth and redevelopment. Each of these proposed new investments is a result of land use changes approved by Council in the BelRed Corridor, or in the Wilburton Study Area.

Commissioner Roberts asked about the status of stream rehabilitation projects. Mr. Jorgenson replied that the Utility has a study under way right now looking at options to open the streams. The biggest difficulty is that the City does not own the property immediately adjacent to streams in Bel-Red. Part of the study will look at what's going to happen downstream and then they will look at the question of what to do first.

Commissioner Swenson noted that there is also a huge amount of stream relocation which is connected with stormwater requirements and redevelopment. Ms. Maloney indicated D-104 is to address stream and culvert issues within the BelRed Corridor. She explained that when the Transportation department builds a new street, they have to build the drainage facilities that go with it. They then turn the drainage facilities over to the Utility to own and maintain. She indicated that she would provide the Commission with copies of the maps and the large chart shown at the meeting.

Commissioner Mach asked about funding for water and sewer facilities within the Bel-Red corridor. Ms. Maloney said we are assuming that developers will build about half the sewer and the City will have to front the other half because they will need to be built when the streets go in, which may precede development. The funds will then be recouped later through connection charges. Mr. Jorgenson explained the City's policy of fronting the money for large regional type water and sewer projects.

Commissioner Roberts asked for a report on the status of Eastgate annexation, since that is another area where infrastructure improvements might be needed, at least in storm.

Commissioner Mach asked if they had a projection of when the development will connect to the projects. Ms. Maloney stated that there is nothing specific about the new projects, but there will be updates every two years. Water and sewer infrastructure would not be built until the roads are built. The presented

case is ‘worst case’, or earliest that could happen. It will likely be slower. The utility proposals will be linked to Transportation street project proposals. Commissioner Mach commented that if there was a schedule of when they were going to build, the City might want to fund the project differently. Mr. Jorgenson responded that ideally staff will have a projection from Land Use of what they believe the redevelopment schedules are. They have the best sense within the City of what development is going to do. Another factor driving this, however, is that the City wants to encourage redevelopment. Council may want us to put the roads and facilities in sooner in order to prompt redevelopment to occur faster than it would otherwise.

Revenue Requirements for Recosted Existing Projects + New Projects,
w/Revised Inflation

Ms. Maloney reviewed spreadsheets showing water, sewer and storm change in funding needs after the adjusted inflation and the addition of new projects as follows, through 2015:

- Water: \$2.4 million
- Sewer: \$8.5 million
- Storm: \$1.4 million

Commissioner Roberts commented that Metro is also going to be increasing their rates so people will be hit by quite high rate increases. Mr. Jorgenson agreed that this is why the ESC can only make a provisional recommendation on the CIP, because staff needs to come back with the full picture of rate implications (capital, operational, and wholesale pass-through.) The intent of this is just to identify what the needs are. He reinforced that the new project proposals are all growth related.

Vice Chair Helland commented that even if the money is fronted to build the infrastructure needed for growth, the City will recover it in the form of rates. He then brought up the fact that after 10 years the City can’t charge any more interest per state law. He asked how often this happens. Mr. Jorgenson said that for most projects there is no certainty of when people will connect or when the City will recover the full cost. There used to be ULIDs (Utility Local Improvement Districts) which mandated that everybody participated whether they wanted it or not. In lieu of that, the City took a more positive customer-service approach in which we recover all of the principle and 10 years worth of interest.

Vice Chair Helland asked to see how much money we are losing by not recouping the interest after 10 years. He is especially concerned about this policy in the Bel-Red corridor where there will be large scale re-development over a long period of time—likely much more than 10 years. Mr. Jorgenson remarked that development provides other value and benefit to the community. He noted that Council is realizing the fact that the \$100 million

shortfall in the current CIP is related in large part to the slow down in development. Vice Chair Helland acknowledged that there are other factors involved, but stated that unless he understood this part of the equation he could not understand the whole picture. Ms. Maloney stated that we could look back to see what the actual experience has been, but noted that this might be different than looking ahead to Bel-Red corridor because that's a completely different sort of situation.

Commissioner Swenson expressed a philosophical concern about this policy. He asked who made the short-sighted decision in the first place to put in concrete (asbestos-cement) pipes. Commissioner Roberts noted that putting the sewer line in the lake was a similar type of decision. Commission Swenson suggested looking back at those situations. Mr. Jorgenson pointed out there were many decisions made in years past due to a variety of factors. AC pipe made sense when there was no metal during the war years. Lakelines and pipes under streams made sense prior to recognition of the environmental impacts, since those were the low points to which sewage could drain by gravity. He did not think there would be much value in trying to second-guess the decisions of the engineers who made them.

Ms. Maloney summarized the Commission's questions as:

- Does this policy make sense for financing these projects moving forward?
- How can we more accurately forecast to minimize costs?
- What has the existing policy cost us to this point?

Commissioner Mach requested an update of this spreadsheet that has a subtotal of new projects.

Ms. Maloney stated that on April 1 staff will host an Open House one hour before the regular meeting. Following the Open House, during the regular session, the Commission will conduct a Public Meeting to take any public comments. Staff will then provide a brief recap of staff proposals, addressing Commission comments, and will then request the Commission's endorsement of the recommended changes. Staff understands that until the Commission sees the rate implications of this, their endorsement is provisional.

Vice Chair Helland asked if the new projects have been prioritized or ranked. Ms. Maloney said they have not because staff feels they are all for growth, and not discretionary. Vice Chair Helland asked how they would know what they could cut out if they needed to cut something. Ms. Maloney stated that staff has presented a needs-based CIP. With the exception of NEP (D-65) and the water and sewer extensions programs (W-68 and S-30), it is all mandated by permit or court order, or necessary to meet the needs of development that Council wants to see happened, or is designed to repair and replace infrastructure in what we believe is the least expensive way.

Commissioner Mach summarized that the budget proposal is based on the estimated schedule of growth in this area. If that growth does not happen the rates would not need to increase. Mr. Jorgenson concurred and added that the schedule for development is in flux. Vice Chair Helland noted that the fastest development schedule means the highest rate increase. Ms. Maloney suggested that some of this might slow down as the budget is examined further by other departments, but this CIP as presented represents a “worse-case scenario.”

The Commissioners thanked Ms. Maloney for the presentation.

- 7. NEW BUSINESS - None**
- 8. DIRECTOR’S OFFICE REPORT - None**
- 9. CONTINUED ORAL COMMUNICATIONS - None**
- 10. EXECUTIVE SESSION - None**
- 11. ADJOURNMENT**

Motion made by Commissioner Roberts, seconded by Commissioner Mach, to adjourn the meeting at 8:47 p.m. Motion passed unanimously (4-0).